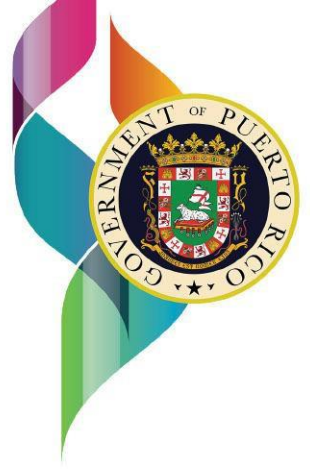


# CORONAVIRUS STATE FISCAL RECOVERY FUND



## Caño Martín Peña

& other related expenses

### Program Guidelines

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GOVERNMENT OF PUERTO RICO



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## Program Overview

### Background

Since March of 2020, Puerto Rico, like most jurisdictions in the United States and countries around the world, has experienced an unprecedented emergency caused by the Coronavirus Disease 2019 (COVID-19) pandemic. To slow the spread of the disease and ensure the stability of its healthcare system, the Government of Puerto Rico has implemented measures to address the emergency. On March 12, 2020, the Government of Puerto Rico issued Administrative Bulletin OE-2020-020 which formally declared a state of emergency due to the imminent impact of the coronavirus in Puerto Rico.

During the state of emergency, Puerto Rico suffered great loss of life and severe economic hardships which have impacted a Commonwealth still reeling from natural disaster. Puerto Rico lost over 2,500 citizens, tourism dwindled with hotel registrations falling 95% from February to April 2020, and ~460,000 residents of Puerto Rico experienced unemployment, twice the previous number of unemployed individuals. Despite these hardships, Puerto Rico persevered, and with over 2,600,000 doses of COVID-19 vaccines administered, Puerto Rico is positioned to emerge from the COVID-19 pandemic.

To help Puerto Rico emerge from the COVID-19 pandemic, Congress passed the American Rescue Plan Act of 2021 (ARP Act), and the President signed it into law on March 11, 2021. To assist state governments with addressing the lingering public health emergency while targeting areas and industries in needs of economic development, the ARP Act established the Coronavirus State and Local Fiscal Recovery Fund, which provides \$350 billion in direct assistance to states, territories, counties, metropolitan cities, tribal governments, and non-entitlement units of local governments. As part of the Coronavirus State and Local Fiscal Recovery Fund, Puerto Rico received \$2.47 billion under the Coronavirus State Fiscal Recovery Fund (CSFRF).

To ensure the expeditious processing of apportioned funds from the CARES Act, the Government of Puerto Rico established the Disbursement Oversight Committee (Committee), consisting of the Secretary of the Department of the Treasury, the Director of the Office of Management and Budget (OMB), and the Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA). The Committee was created on May 15, 2020, by means of Executive Order No. 2020-040, and on May 7, 2021, by means of Executive Order No. 2021-034, the Governor of Puerto Rico extended the Committee's oversight to include CSFRF.

### Program Description

On August 3, 2021, Governor Pedro Pierluisi announced the Caño Martín Peña Program (Program), which makes up to \$130 million in immediate CSFRF funds available to make necessary investments in water and sewer infrastructure.

The Program seeks to make necessary investments in the Caño Martín Peña (Caño) district to promote self-management and socio-economic development. This Program investment is just one phase of a larger project, which includes implementing a comprehensive development and land use plan for the Special District of the Caño. This extensive development includes investments in housing, urban development, infrastructure, socio-economic development, and community initiatives promoting social, economic, and cultural development.

Recovering the Caño will transform the city, reconnect lagoons and canals that are part of the estuary and tour the city from the water, joining points of tourist and cultural interest that are part of the estuary of

the Bay of San Juan, the only tropical estuary contained in the National Estuary Program of the Environmental Protection Agency (EPA). In addition, it is to have a more resilient country, reducing the vulnerability to floods and climate change of vital infrastructure, such as the Luis Muñoz Marín International Airport which has already been impacted by the lack of water flow in the estuarine system of the Bay of San Juan. It is health and the opportunity for decent, safe, and sanitary housing for thousands of residents in their communities.

Partial estimates indicate that the restoration of the Caño ecosystem will inject \$587 million into the economy of Puerto Rico. Failure to do the project can amount to \$773 million in costs associated with property loss and health impacts during a 100-year recurrence of rain event<sup>1</sup>. These benefits and costs are not total since they only consider the infrastructure projects that make dredging feasible, estimated to have exponential benefits associated with protecting property and public health.

While CSFRF will make just water and sewer infrastructure investments, the overall ENLACE Project, not only dredging, involves access to basic infrastructure, decent housing, economic development, social transformation, environmental awareness, development of critical thinking, democratic participation, community organization, adult literacy, violence prevention and recovery of public spaces. The more than 14,000 residents<sup>2</sup> in the eight communities surrounding the Caño are the protagonists of this process. It is a sustainable and fair development without displacing poverty from one side to another but overcoming economic inequality and social marginalization.

The Government of Puerto Rico and the Department of Housing, through CBDG and CSFRF funds, have the unique opportunity to provide social justice to the residents of the communities of the Caño, with direct and indirect benefits to the nine municipalities that make up the estuary of the Bay of San Juan and the rest of the country. This includes reducing the vulnerability to flooding at Luis Muñoz Marín International Airport, the country's main airport, which receives approximately 9 million visitors annually. In addition to being at an elevation of only 9 feet above sea level, the effects of climate change that raise sea level place it at imminent risk of disappearing so mitigation projects such as the environmental restoration project of the Caño which would directly impact it are urgent<sup>3</sup>.

On September 21, 2022, the Committee approved the transfer of funds to the Puerto Rico Aqueduct and Sewer Authority (PRASA) for the execution of the Caño Program. Due to delays in project execution and timeline constraints under the ARP Act, it became necessary to amend the eligible uses of funds for this Program to include the purchase of equipment. It is important to note that PRASA will continue the Caño Program using alternative funding sources.

Disbursement of Program funds will be subject to the strictest standards to ensure compliance with federal regulations and best practices. Therefore, each request for disbursement will be duly documented and subject to control and audit.

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<sup>1</sup> (October 27, 2015) Puerto Rico National Disaster Resilience Competition, Phase II Final Narrative.

<sup>2</sup> Estimates from the American Community Survey (ACS) 2015-2018.

<sup>3</sup> [Luis Muñoz Marín International Airport could be endangered by climate change - Primera Hora](#)

## Points of Contact

The Program will be administered by the Committee in conjunction with PRASA and FAFAA.

## Eligibility Criteria

Eligible Recipients must meet all the following criteria:

- Be the Puerto Rico Aqueduct and Sewer Authority (PRASA);
- Commit to abiding by the Program's terms and conditions;  
and
- Agree to return the Program funds if it is determined that they did not comply with any of the Program eligibility requirements or if the Program funds were not obligated on eligible expenses by December 31, 2024.

## Allowable Expenditures

Allowable expenses under this award must be:

- Necessary investments to improve access to reliable potable water systems, sanitary sewer systems, and stormwater systems in the Buena Vista Santurce community.
- Expenses necessarily incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19).
- Expenses incurred during the period that begins on March 3, 2021, and ends on December 31, 2024.

For further guidance please refer to the [Guidance](#) and the [Frequently Asked Questions](#) published by the U.S. Treasury.

### *Other CSFRF Programs*

In addition to the Program detailed above, the Governor allocated funds for additional programs to address the public health emergency, ensure continuity of government services, address negative economic impact, provide premium pay, invest in water, sewer, and broadband infrastructure, and provide for the provision of government services (up to lost revenue). Please visit the FAFAA [website](#) for additional information about these programs.

## Ineligible Expenditures

Ineligible expenses will be determined by the Committee, the U.S. Department of the Treasury, the Office of Inspector General (OIG), and other regulatory bodies, and under this award include, but are not limited to:

- Payments to institutions that do not meet the eligibility criteria.
- Necessary expenses that have been covered or reimbursed, or that will be covered in the future, by other state or federal programs, including funds received through the CARES Act or from FEMA.
- Deposits into any pension funds.
- Offsetting a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax.
- Executive bonuses, debt refinancing, or other expenses that are determined to be unnecessary for

- continued operations in the COVID-19 environment.
- Projects not included in the Resolution approving the funds.

For further guidance please refer to the [Guidance](#) and the [Frequently Asked Questions](#) published by the U.S. Treasury.

## Process Overview

The following is intended to outline the process by which funds from the CSFRF will be distributed under the Program.

August 3, 2021	Program Announced
September 2022	Funds Transferred to PRASA
October 2022 – December 2024	Biweekly Use of Funds Reports
October 2022 – December 2024	Monthly Performance Reports
December 31, 2024	Deadline for Award Funds to be Used
January 2025 – February 2025	Program Audits Use of Funds Compliance and Recovery

### *Requests*

Requests will be submitted electronically using the [Agency Request](#) for Funding process along with the [request processing portal](#) administered by the Puerto Rico OMB. Applicants should submit requests under the PP Form-CSFRF Fund Request. Upon submission, Applicants will receive a confirmation via electronic mail. More information on forms, documents, and eligibility can be found on the [web](#).

### *Administrative Costs*

Administrative costs reduce the amount of Relief Funds that are directly supporting Puerto Rican projects and initiatives related to the COVID-19 emergency. If administrative costs are too substantial, there is a risk that the U.S. Treasury will deem the costs unreasonable and subject them to recoupment.

While the appropriate amount of administrative costs for any program is dependent on specific facts and circumstances, the Committee has determined that indirect, administrative, or other expenses incurred in managing the Program, or individual proposals under the Program, should be aligned with Federal guidance. The Program's administrative cost cap, determined by an Advisory Panel consisting of representatives of FAFAA, shall not exceed 10% of the total proposal cost.

### *Evaluation*

For all requests, decisions will be evaluated for completeness and eligibility, and final determinations will be made by representatives of FAFAA. Each Request will be evaluated, and Program funds will be allocated using a standard of necessity.

The Committee will approve final funding award decisions.

Due to the nature of the projects approved under this Program, projects will be subject to periodic review by FAFAA in which the status of the projects must be submitted. Any delays in the project's timeline must be informed diligently to FAFAA representatives. Further amendments to the assignment, timeline, or project must be approved by the Committee.

PRASA must ensure that DWSRF and CWSRF criteria are satisfied throughout the execution of these initiatives, as applicable.

### *Award and Funding*

Requestors will be notified via electronic mail of funding decisions. Subsequent funding opportunities (including expansion of eligible institutions and use of funds) will be determined based on the availability of funds remaining after the completion of initial awards.

## Compliance

Any government entity receiving funds must adhere to the Uniform Guidance, 2 C.F.R § 200 (Uniform Guidance). This Uniform Guidance outlines the "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards". Recipients and their personnel are responsible for reviewing, understanding, and applying the complete underlying legislation and guiding documents. For complete details on 2 CFR 200, visit the Electronic Code of Federal Regulations at [https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200\\_main\\_02.tpl](https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl). Topics included in the Uniform Guidance include, but are not limited to:

- Procurement standards and requirements
- Contract cost and price principles
- Bonding requirements
- Document retention and auditing provisions

Any government and non-government entity receiving Program funds will be required to retain use of funds records and supporting documentation for a period of five (5) years. Furthermore, by accepting CSFRF funds, government and non-government entities are required to certify proper and legal use of the funds and agrees to cooperate in any audit proceedings requested by the Government of Puerto Rico or other governing entity responsible for the compliant use of Program funds.

## Reporting Requirements

On a quarterly basis, the Government of Puerto Rico is required to submit program expense reports to the U.S. Treasury in accordance with the SLFRF Compliance and Reporting Guidance. Thus, to ensure timely reporting, the Government of Puerto Rico requires the Lead Agency or any recipient of funds under this program to adhere to the following reporting schedule:

- On a biweekly basis, the Lead Agency, as identified by the program, will provide an expense report using a standard template provided by the program.

On an annual basis, the Government of Puerto Rico is required to submit a performance report detailing the progress and impact of the use of CSFRF funds. This Recovery Plan Performance Report will include descriptions of the programs funded and performance indicators and objectives of each award, helping residents understand how their governments are using the substantial resources provided by Coronavirus State and Local Fiscal Recovery Funds program.

The Performance Report should include key performance indicators (KPIs). Key performance indicators are collected by the program manager and can capture the actual activities and quantify the impact of the program. Per U.S. Treasury Requirements, every program should define key output and/or outcome performance indicators.

Furthermore, for some programs, recipients should determine whether there is prior evidence research to support the program being implemented and use those KPIs to report programs output and outcomes.

In order to ensure timely reporting, the Government of Puerto Rico requires the Lead Agency or any recipient of funds under this program to adhere to the following performance report requirements:

Define and inform the key performance indicators for the program outputs and/or outcomes.

- On a monthly basis, provide a performance update with program status and current values of the defined key performance indicators.

As reporting needs may change over time, the Program reserves the right to request additional information from the Lead Agency, Recipients or Sub-recipients.



